

Message Text

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C O N F I D E N T I A L USNATO 0465

E.O. 11652: XGDS 1

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SUBJECT: STATUS OF INFRASTRUCTURE PLANNING - COST SHARING PERIOD

1975-79

REFS: A. STATE 123101; B. USNATO 0379

BEGIN SUMMARY. ON 29 JAN 74 INFRASTRUCTURE COMMITTEE CONCLUDED A DRAFT REPORT (AC/4-WP/513 (REVISED) OF 29 JAN 74) TO DPC ON SUBJECT MATTER. THE REPORT STATES THAT FURTHER PROGRESS BY THE COMMITTEE IN RESOLVING THE COST SHARING ARRANGEMENTS AND LEVEL OF FUNDING MUST AWAIT A RULING BY THE COUNCIL ON THE BURDENSARING PROBLEM. END SUMMARY.

1. THE DRAFT REPORT TO DPC ON SUBJECT MATTER FOLLOWS:

QUOTE REFERENCES: (A) DPC/D(73)35; (B) PO/73/174; (C) C-M(74)6 (TO BE CIRCULATED); (D) DPC/D(73)7, PARAS 25-27.

1. FOLLOWING THE MINISTERIAL DIRECTIVE (REF (A)) THE INFRASTRUCTURE COMMITTEE IS TO REPORT TO MINISTERS IN MAY 1974 ON THE PROPOSED FUNDING LEVEL OF THE NEXT COST SHARING PERIOD (SLICES CONFIDENTIAL

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XXVI-XXX) TAKING INTO ACCOUNT THE MILITARY REQUIREMENTS PUT FORWARD BY THE MAJOR NATO COMMANDERS.

2. THE DEFENSE PLANNING COMMITTEE SUBSEQUENTLY DECIDED

(REF (B)) THAT IN VIEW OF THE FACT THAT THE INFRASTRUCTURE PROGRAM WAS A MAJOR VEHICLE FOR POSSIBLE MULTILATERAL BURDEN-SHARING THERE APPEARED TO BE NEED TO MAKE PROGRESS TOWARD THESE GOALS BY MID-FEBRUARY 1974.

3. THE CLOSE INTER-RELATIONSHIP BETWEEN BURDENSARING IN THE CONTEXT OF INFRASTRUCTURE AND THE NEW INFRASTRUCTURE PROGRAM WILL BE EVIDENT FROM THE INFRASTRUCTURE COMMITTEE'S REPORT TO THE COUNCIL ON THE BURDENSARING QUESTION (REF (C)). ACCORDINGLY, IT WOULD SEEM UNLIKELY THAT ANY SUBSTANTIAL PROGRESS CAN BE ACHIEVED ON THE COST SHARING ARRANGEMENTS FOR THE NEXT SLICE GROUP OUTSIDE THE CONTEXT OF THE BURDENSARING PROBLEMS AT PRESENT UNDER DISCUSSION.

FUNDING LEVEL OF THE NEXT COST SHARING PERIOD.

4. THE FOLLOWING GIVES THE CURRENT STATUS OF DISCUSSIONS IN THE INFRASTRUCTURE COMMITTEE ON THE ABOVE SUBJECT WHICH IS ALSO RELATED TO A CERTAIN EXTENT TO THE DISCUSSION OF THE BURDENSARING IN THE INFRASTRUCTURE FIELD.

5. THE MILITARY AUTHORITIES HAVE INDICATED THAT THE MINIMUM MILITARY REQUIREMENTS FOR THE NEXT COST SHARING PERIOD AS CONFIRMED BY THE MILITARY COMMITTEE AMOUNT TO SOME IAU 926 MILLION OUT OF WHICH IAU 583 MILLION ARE CLASSED AS PRIORITY A OR MOST URGENT.

6. THE DISCUSSION IN THE INFRASTRUCTURE COMMITTEE TO DATE INDICATED THAT THE THOUGHTS ABOUT THE PROGRAM LEVEL (WITH OR WITHOUT SUPPLEMENTARY PROGRAM) FOR THE NEXT COST SHARING PERIOD RANGE FROM A LOW OF IAU 300 MILLION TO A HIGH OF IAU 600 MILLION. THE AVERAGE OF THE AMOUNTS PROPOSED BY THE 12 NATIONS COMES TO APPROXIMATELY IAU 450 MILLION. THE MAJORITY OF NATIONS FEEL STRONGLY THAT AN AMOUNT OF IAU 300 MILLION IS NOT ADEQUATE TO PROVIDE EVEN THE HIGHEST PRIORITY ITEMS OF INFRASTRUCTURE AND POINT OUT THAT THE EFFECTIVE VALUE WILL BE REDUCED BY THE CONTINUED INFLATIONARY TENDENCIES.
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7. IN THIS CONNECTION THE COMMITTEE NOTED THE CONCERN EXPRESSED BY THE MILITARY AUTHORITIES IN THE EVENT THAT THE LEVEL OF FUNDING OF THE NEXT SLICE GROUP WOULD ONLY REACH, FOR EXAMPLE, IAU 300 MILLION. IF SUCH A LOW CEILING WERE TO BE FINALLY APPROVED, THE MNCS WOULD HAVE TO RESTRUCTURE COMPLETELY THEIR FIVE YEAR PROGRAM PROPOSALS AND REDETERMINE PRIORITIES. THIS COULD MEAN THAT SOME 60 PCT OF PROJECTS MIGHT HAVE TO BE DEFERRED. SUCH A CUT-BACK IN SUPPORT FACILITIES WOULD SERIOUSLY AFFECT MILITARY CAPABILITIES. THIS POSSIBILITY WAS FORESEEN IN THE AD 70-SPRING 1973 REPORT (REF (D)) IN WHICH IT WAS STATED, QTE THAT WHEN ADDRESSING THE ISSUE OF FUTURE FUNDING LEVELS, WE SHOULD BEAR PARTICULARLY IN MIND THE EFFECT OF ANY DEFERMENT OF PROJECTS ON NATO'S DETERRENT POSTURE AND OVER-ALL DEFENSE CAPABILITIES IN EACH REGION UNQTE.

COMPARISON OF BIDS WITHOUT TAXES AND DUTIES.

8. CONCURRENTLY WITH A DECISION ON THE 1975-1979 INFRA-STRUCTURE COST SHARING ARRANGEMENTS, NATIONS ARE TO APPROVE THE PRINCIPLE OF COMPARISON OF BIDS WITHOUT IDENTIFIABLE TAXES AND DUTIES. IN ORDER TO ALLOW A PROMPT IMPLEMENTATION OF THIS PRINCIPLE THE INFRASTRUCTURE COMMITTEE HAS DEVELOPED A RELATIVELY SIMPLE PROCEDURE WHICH IS AT PRESENT UNDER EXAMINATION IN THE CAPITALS. A FINAL DECISION, HOWEVER, CONCERNING THE IMPLEMENTATION OF THE PRINCIPLE OF EVALUATING BIDS FREE OF CUSTOMS DUTIES AND TAXES WAS DEFERRED BY THE MINISTERS UNTIL MAY 1974 IN ORDER TO PERMIT THE ITALIAN GOVERNMENT TO WORK OUT THE NECESSARY INTERNAL PROCEDURES.

CONCLUSIONS.

9. FROM THE FOREGOING IT WILL BE SEEN THAT FURTHER PROGRESS BY THE INFRASTRUCTURE COMMITTEE IN RESOLVING VARIOUS OUTSTANDING MATTERS ASSOCIATED WITH THE FUTURE INFRASTRUCTURE PROGRAM, NAMELY COST SHARING ARRANGEMENTS AND LEVEL OF FUNDING, MUST AWAIT A RULING BY THE COUNCIL ON THE BURDENSARING PROBLEM.

RECOMMENDATION.

10. THE INFRASTRUCTURE COMMITTEE RECOMMENDS THAT
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THE DEFENSE PLANNING COMMITTEE TAKE NOTE OF THE PRESENT
REPORT UNQUOTE. /S/ VAN LYNDEN, CHAIRMAN.

2. THE ABOVE QUOTED DRAFT IS SCHEDULED FOR COMMITTEE
ACTION 5 FEB 74, WITH VIEW OF CONCLUDING A REPORT TO THE DPC.
MISSION PROPOSES AGREEMENT WITH THIS REPORT UNLESS INSTRUCTED
OTHERWISE. US POSITION WILL BE CONSISTENT WITH REF A. RUMSFELD

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